

ESG Recap questions?

Individual Assignment #3. Socially Responsible Investing (SRI)

- Prompt: According to you, what are the main screening challenges associated with Socially Responsible Investing and what should be the principles of a good screening methodology? Please use the suggested readings as well as your ranking of the chemical companies to build your argument (two pages maximum).
- Provides introductory definition of SRI
- Screening challenges of SRI
 - Categories: Physical, management or impact indicators
 - Selection of the right **indicators**
 - Must choose **relevant** criteria for measuring
 - **Fair** methodologies for all companies
 - Rating criteria needs to be **weighted**, but it's difficult to decide how to weight the indicators
 - Decide whether screening for **positive or negative indicators**: should overlap both in order to get the whole picture
 - Requires reliable, accurate and consistent **data**
 - Choose good **comparison groups**: choose similar companies or normalize for company size by using a proxy such as net sales (\$)
 - Choosing **static or dynamic screenings** (long-term impact)
 - A wide range of **users** with considerable differences are present in sustainability reporting
 - **Credibility** of the evaluation, the data used, and the final report
 - GRI is voluntary (not mandatory)
 - Data may come from multiple sources
- Good Screening Methodology, Best Principles (covers the majority following either specifically or implicitly)
 - Transparency
 - The goal of the evaluation must be clearly stated
 - Consider both positive and negative screenings
 - Properly weight each indicator
 - Weigh highly criteria that companies cannot easily manipulate
 - Comparison group must be clear: Take into account the different sizes of corporations, as well as their different manufacturing and processing techniques
 - Criteria should be clear
 - Make comparison among similar companies
 - Favor a dynamic approach: did companies make significant improvements?
 - Third party verification
- Included citations, ideas, examples from the readings (the below aren't required, but are good references)
- Corporate Sustainability or Greenwashing? Delmas, M. Huffington Post 2014
- "Information Strategies and Energy Conservation Behavior: A Meta-analysis of Experimental Studies from 1975-2011." Delmas, M; Fischlein, M, and Asensio, O. 2013, Energy Policy, 61: 729-739. [\[Link\]](#)

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